

At the session of the Cortes, however, in the summer of 1908 was taken a final step which, when carried out, should relieve the bank of the subordination of its commercial functions to those of the government and lead to the ultimate restoration of stable exchange on a gold basis. This was the enactment of a law, providing for the issue of four per cent, bonds running for fifty years, to the amount of 160,000,000 pesetas, for the exclusive purpose of taking up the outstanding Treasury certificates in circulation and in the vaults of the bank. These certificates were to be received in payment for the new issue, which was offered at 85[^].*

The circulation of the bank at the close of 1907 was 1,557,000,000 pesetas (\$300,000,000), which was an increase of 33,000,000 pesetas over the close of 1906, but was a decrease of about 80,000,000 pesetas as compared with 1901. One of the difficulties which the bank encountered in maintaining the reserve required by law was the steady accumulation of silver in its vaults as the public preference grew for paper, as in France prior to 1892. The proportions of gold and silver were nearly the same at the close of 1897. Gold was not paid out by the bank, so that what was obtained it was possible to hold. The decline in value of the bank paper caused by the war with America carried it for a time below the bullion value of the silver coins, and reduced the silver in the bank from 267,900,000 pesetas on March 31, 1898, to 112,900,000 pesetas on June 30, 1898. From this point, however, recovery began in the value of paper and this led to an increasing current of silver coins into the bank. By the close of the year 1900 the amount of gold stood at 350,000,000 pesetas, and silver at 400,500,000 pesetas. By the close of 1907 gold had risen only to 391,000,000 pesetas (\$75,460,000), while the silver in the bank vaults amounted to 642,000,000 pesetas (\$123,900,000).

The commercial discounts showed an increase at Madrid

the unfortunate monetary situation to realize large profits from the exchanges and the issue of paper money."—*Les Changes D'Espagne*, 70.

i *Moniteur des IntMts Mat&riels*, July 3, 1908, 2183.